

**REPORT OF THE AUDIT OF THE  
TODD COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2011**



**ADAM H. EDELEN  
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**ADAM H. EDELEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Lori H. Flanery, Secretary  
Finance and Administration Cabinet  
Honorable Daryl Greenfield, Todd County Judge/Executive  
Members of the Todd County Fiscal Court

The enclosed report prepared by Kem, Duguid & Associates, PSC, Certified Public Accountants, presents the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Todd County, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements.

We engaged Kem, Duguid & Associates, PSC to perform the audit of these financial statements. We worked closely with the firm during our report review process; Kem, Duguid & Associates, PSC evaluated Todd County, Kentucky's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Adam H. Edelen", written over a horizontal line.

Adam H. Edelen  
Auditor of Public Accounts

Enclosure





## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE TODD COUNTY FISCAL COURT**

**June 30, 2011**

Kem, Duguid & Associates, PSC has completed the audit of the Todd County Fiscal Court for fiscal year ended June 30, 2011.

We have issued an unqualified opinion on the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of Todd County, Kentucky.

#### **Financial Condition:**

The fiscal court had total net assets of \$4,933,046 as of June 30, 2011. The fiscal court had unrestricted net assets of \$1,525,437 in its governmental activities as of June 30, 2011, with total net assets of \$4,931,154. In its business type activities, total net cash was \$1,892 with total net assets of \$1,892 as of June 30, 2011. The fiscal court had total debt principal as of June 30, 2011 of \$15,851,652 with \$612,199 due within the next year.

#### **Report Comments:**

- 2011-01 Todd County Fiscal Court Had A Lack Of Segregation Of Duties Over Accounting Functions
- 2011-02 Todd County Fiscal Court Should Strengthen Internal Controls Over The Financial Reporting Of Capital Assets And Infrastructure
- 2011-03 Todd County Fiscal Court Should Strengthen Internal Controls Over The Financial Reporting Of The Jail Bond & Lease Fund

#### **Deposits:**

As of June 30, 2011, the fiscal court's deposits were insured and collateralized by bank securities.



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MICHAEL A. KEM, CPA  
SANDRA D. DUGUID, CPA  
ANNA B. GENTRY, CPA  
WALTER G. CUMMINGS, CPA



To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Lori H. Flanery, Secretary  
Finance and Administration Cabinet  
Honorable Daryl Greenfield, Todd County Judge/Executive  
Members of the Todd County Fiscal Court

### Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Todd County, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Todd County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Todd County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Todd County, Kentucky, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Lori H. Flanery, Secretary  
Finance and Administration Cabinet  
Honorable Daryl Greenfield, Todd County Judge/Executive  
Members of the Todd County Fiscal Court

The County has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit it and express no opinion on it.

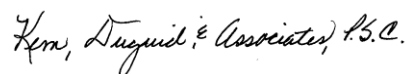
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Todd County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated December 27, 2011, on our consideration of Todd County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2011-01 Todd County Fiscal Court Had A Lack Of Segregation Of Duties Over Accounting Functions
- 2011-02 Todd County Fiscal Court Should Strengthen Internal Controls Over The Financial Reporting Of Capital Assets And Infrastructure
- 2011-03 Todd County Fiscal Court Should Strengthen Internal Controls Over The Financial Reporting Of The Jail Bond & Lease Fund

Respectfully submitted,



Kem, Duguid & Associates, PSC  
Certified Public Accountants

December 27, 2011

## TODD COUNTY OFFICIALS

For The Year Ended June 30, 2011

**Fiscal Court Members:**

Daryl Greenfield	County Judge/Executive
Alford Blake	Magistrate
Rex Johnson	Magistrate
John Camp	Magistrate
Brent Spurlin	Magistrate
Jimmy Turner	Magistrate

**Other Elected Officials:**

Harold Johns	County Attorney
Greg Allen	Jailer
Kim Chapman	County Clerk
Mark Cowherd	Circuit Court Clerk
Arthur J Johnson	Sheriff
Perry Stokes	Property Valuation Administrator
Robert Whittlesey	Coroner

**Appointed Personnel:**

Tammy Robertson	County Treasurer
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**TODD COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2011**



**TODD COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2011**

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-Type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Totals</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,249,176	\$ 1,892	\$ 1,251,068
Restricted Assets:			
Cash and Cash Equivalents	6,116,796		6,116,796
Unamortized Bond Issue Costs	76,329		76,329
Capital Assets - Not Being Depreciated			
Land and Land Improvements	746,386		746,386
Construction in Progress	4,145,216		4,145,216
Capital Assets - Net of Accumulated Depreciation			
Buildings	5,492,932		5,492,932
Vehicles and Equipment	860,373		860,373
Infrastructure	1,895,666		1,895,666
Total Assets	<u>20,582,874</u>	<u>1,892</u>	<u>20,584,766</u>
<b>LIABILITIES</b>			
Current:			
Due Within One Year			
Financing Obligations	92,199		92,199
Bonds Payable	520,000		520,000
Noncurrent:			
Due In More Than One Year			
Financing Obligations	624,453		624,453
Bonds Payable	14,615,000		14,615,000
Less Unamortized Discounts	(199,932)		(199,932)
Total Liabilities	<u>15,651,720</u>	<u></u>	<u>15,651,720</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	3,372,243		3,372,243
Restricted For:			
Protection to Persons and Property	14,022		14,022
Debt Service	33,474		33,474
Unrestricted	1,511,415	1,892	1,513,307
Total Net Assets	<u>\$ 4,931,154</u>	<u>\$ 1,892</u>	<u>\$ 4,933,046</u>

The accompanying notes are an integral part of the financial statements.

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**TODD COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2011**

**TODD COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**

<b>Functions/Programs Reporting Entity</b>	<b>Expenses</b>	<b>Program Revenues Received</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 1,571,342	\$ 4,950	\$	\$
Protection to Persons and Property	2,187,262	597,767	901,674	161,553
General Health and Sanitation	176,389		25,619	
Social Services	18,335			
Recreation and Culture	21,369			
Roads	968,573		1,397,978	
Interest On Long-term Debt	584,514		797,310	
Capital Projects	108,678			
Total Governmental Activities	5,636,462	602,717	3,122,581	161,553
Business-type Activities:				
Jail Canteen	13,982	10,945		
Total Business-type Activities	13,982	10,945		
Total Primary Government	\$ 5,650,444	\$ 613,662	\$ 3,122,581	\$ 161,553

**General Revenues:**

Taxes:

Real Property Taxes

Motor Vehicle Tax

Bank Franchise Taxes

Occupational Tax

Net Profit Tax

Other Taxes

Telephone E-911 Surcharge

In Lieu of Tax Payments

Excess Fees

License and Permits

Interest

Miscellaneous Revenues

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

**TODD COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2011**  
**(Continued)**

<b>Net (Expenses) Revenues and Changes in Net Assets</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
\$ (1,566,392)	\$	\$ (1,566,392)
(526,268)		(526,268)
(150,770)		(150,770)
(18,335)		(18,335)
(21,369)		(21,369)
429,405		429,405
212,796		212,796
(108,678)		(108,678)
(1,749,611)		(1,749,611)
	(3,037)	(3,037)
	(3,037)	(3,037)
(1,749,611)	(3,037)	(1,752,648)
389,344		389,344
59,744		59,744
35,843		35,843
540,271		540,271
158,261		158,261
684,782		684,782
97,484		97,484
238,768		238,768
50,933		50,933
242,455		242,455
59,357		59,357
357,570		357,570
2,914,812		2,914,812
1,165,201	(3,037)	1,162,164
3,765,953	4,929	3,770,882
\$ 4,931,154	\$ 1,892	\$ 4,933,046

The accompanying notes are an integral part of the financial statements.

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**TODD COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2011**

**TODD COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2011**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Jail Bond and Lease Fund</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 811,258	\$ 372,308	\$ 8,098	\$
Restricted Assets:				
Cash and Cash Equivalents				6,116,796
Total Assets	<u>811,258</u>	<u>372,308</u>	<u>8,098</u>	<u>6,116,796</u>
<b>FUND BALANCES</b>				
<b>Restricted For:</b>				
Protection to Persons and Property				
Construction				6,083,322
Debt Service				33,474
<b>Assigned To:</b>				
Protection to Persons and Property			8,098	
General Health and Sanitation				
Roads		372,308		
<b>Unassigned</b>	<u>811,258</u>			
Total Fund Balances	<u>\$ 811,258</u>	<u>\$ 372,308</u>	<u>\$ 8,098</u>	<u>\$ 6,116,796</u>

**Reconciliation of the Balance Sheet-Governmental Funds to Statement of Net Assets:**

Total Fund Balances	\$ 7,365,972
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	16,613,774
Accumulated depreciation	(3,473,201)
Certain assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds. These assets at year-end consist of:	
Bond Issue Costs	199,932
Bond Discount	76,329
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Financing Obligations	(716,652)
Bonds Payable	<u>(15,135,000)</u>
Net Assets Of Governmental Activities	<u>\$ 4,931,154</u>

The accompanying notes are an integral part of the financial statements.

**TODD COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**June 30, 2011**  
**(Continued)**

<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
\$ 57,512	\$ 1,249,176
	6,116,796
<u>57,512</u>	<u>7,365,972</u>
14,022	14,022
	6,083,322
	33,474
40,264	48,362
3,226	3,226
	372,308
	811,258
<u>\$ 57,512</u>	<u>\$ 7,365,972</u>

The accompanying notes are an integral part of the financial statements.

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**TODD COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**

**TODD COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**

	<u><b>General Fund</b></u>	<u><b>Road Fund</b></u>	<u><b>Jail Fund</b></u>	<u><b>Jail Bond and Lease Fund</b></u>
<b>REVENUES</b>				
Taxes	\$ 1,729,596	\$	\$	\$
In Lieu Tax Payments	238,768			
Excess Fees	50,933			
Licenses and Permits	7,030			
Intergovernmental	74,279	1,587,144	936,058	797,310
Charges for Services	4,950		15,101	
Miscellaneous	49,986	34,750	53,318	
Interest	24,781			34,576
Total Revenues	<u>2,180,323</u>	<u>1,621,894</u>	<u>1,004,477</u>	<u>831,886</u>
<b>EXPENDITURES</b>				
General Government	572,094	23,942		
Protection to Persons and Property	15,351		1,319,821	
General Health and Sanitation	13,722			
Social Services	18,335			
Recreation and Culture	20,049			
Roads		1,246,965		
Debt Service	38,404		850	2,803,987
Capital Projects		108,678		3,469,456
Administration	141,009	131,446	319,836	19,126
Total Expenditures	<u>818,964</u>	<u>1,511,031</u>	<u>1,640,507</u>	<u>6,292,569</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>1,361,359</u>	<u>110,863</u>	<u>(636,030)</u>	<u>(5,460,683)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers from Other Funds	161,533		917,000	302,718
Transfers to Other Funds	(1,375,000)		(302,718)	
Financing Obligation Proceeds				
Total Other Financing Sources (Uses)	<u>(1,213,467)</u>		<u>614,282</u>	<u>302,718</u>
Net Change in Fund Balances	147,892	110,863	(21,748)	(5,157,965)
Fund Balances - Beginning	663,366	261,445	29,846	11,274,761
Fund Balances - Ending	<u>\$ 811,258</u>	<u>\$ 372,308</u>	<u>\$ 8,098</u>	<u>\$ 6,116,796</u>

The accompanying notes are an integral part of the financial statements.

**TODD COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2011**  
**(Continued)**

<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
\$ 129,744	\$ 1,859,340
	238,768
	50,933
49,259	56,289
377,886	3,772,677
582,666	602,717
23,528	161,583
	59,357
<u>1,163,083</u>	<u>6,801,663</u>
106,923	702,959
990,138	2,325,310
143,479	157,201
	18,335
	20,049
	1,246,965
121,401	2,964,642
	3,578,134
173,459	784,876
<u>1,535,400</u>	<u>11,798,471</u>
 <u>(372,317)</u>	 <u>(4,996,808)</u>
458,000	1,839,251
(161,533)	(1,839,251)
86,829	86,829
<u>383,296</u>	<u>86,829</u>
10,979	(4,909,979)
46,533	12,275,951
<u>\$ 57,512</u>	<u>\$ 7,365,972</u>

The accompanying notes are an integral part of the financial statements.

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**TODD COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**



**TODD COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**

Net Change in Fund Balances - Total Governmental Funds \$ (4,909,979)

Amounts reported for governmental activities in the Statement of Activities are different because Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Assets disposed of, Net Book Value	(91,832)
Capital Outlay	4,443,945
Depreciation Expense	(574,818)

Some items reported in the Statement of Activities do not involve current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Amortization of Bond Issue Costs	(4,017)
Amortization of Bond Discount	(10,523)
2010 Cost of Issuance Costs paid	19,126

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of principal on long-term debt consumes the current financial resources of governmental funds. These transactions, however, have no effect on net assets.

Financing Obligation Proceeds	(86,829)
Financing Obligation Principal Payments	1,835,128
Bond Principal Payments	545,000

Change in Net Assets of Governmental Activities	\$ 1,165,201
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**TODD COUNTY**  
**STATEMENT OF NET ASSETS – PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2011**



**TODD COUNTY**  
**STATEMENT OF NET ASSETS – PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2011**

	<b>Business-Type Activities Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 1,892
Total Assets	<u>1,892</u>
<b>Net Assets</b>	
Unrestricted	1,892
Total Net Assets	<u><u>\$ 1,892</u></u>

The accompanying notes are an integral part of the financial statements.

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**TODD COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET ASSETS – PROPRIETARY FUND – MODIFIED CASH BASIS**

**June 30, 2011**



**TODD COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET ASSETS – PROPRIETARY FUND – MODIFIED CASH BASIS**

**June 30, 2011**

	<b>Business-Type Activities Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Operating Revenues</b>	
Canteen Receipts	\$ 10,945
Total Operating Revenues	<u>10,945</u>
<b>Operating Expenses</b>	
Educational and Recreational	2,596
Miscellaneous	<u>11,386</u>
Total Operating Expenses	<u>13,982</u>
Change In Net Assets	(3,037)
Total Net Assets - Beginning	<u>4,929</u>
Total Net Assets - Ending	<u><u>\$ 1,892</u></u>

The accompanying notes are an integral part of the financial statements.

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**TODD COUNTY**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUND – MODIFIED CASH BASIS**

**June 30, 2011**



**TODD COUNTY**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUND – MODIFIED CASH BASIS**

**June 30, 2011**

	<b>Business-Type Activities Enterprise Fund</b> <hr/> <b>Jail Canteen Fund</b> <hr/>
<b>Cash Flows From Operating Activities</b>	
Receipts From Customers	\$ 10,945
Educational and Recreational	(2,596)
Miscellaneous	<u>(11,386)</u>
Net Cash Provided (Used) By Operating Activities	<u>(3,037)</u>
Cash and Cash Equivalents - July 1, 2010	<u>4,929</u>
Cash and Cash Equivalents - June 30, 2011	<u><u>\$ 1,892</u></u>
 <b>Net Cash Provided (Used) by Operating Activities</b>	
<hr/>	
Operating Income (Loss)	<u>\$ (3,037)</u>
Net Cash Provided (Used) By Operating Activities	<u><u>\$ (3,037)</u></u>

The accompanying notes are an integral part of the financial statements.

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**TODD COUNTY**  
**STATEMENT OF FIDUCIARY NET ASSETS**

**June 30, 2011**



### Agency Funds

**Jail  
Inmate  
Fund**

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7,486

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7,486

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\$
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The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENTS**

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**TODD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however, the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Todd County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes no organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented. Based upon the application of GASB 14, there are no component units which merit consideration as part of the reporting entity.

**TODD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Todd County Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Todd County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities, and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Todd County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**D. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charges to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

**TODD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

**Governmental Funds**

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Bond and Lease Fund - The primary purpose of this fund is to account for the expenditures of the Justice Center and for the debt service payments on the jail as well as the Justice Center. The Department for Local Government does not require the Fiscal Court to report or budget these funds.

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, Timberland Tax Fund, Solid Waste Fund, Ambulance Fund, Sheriff Fund, and Dispatch Fund.

**TODD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

Special Revenue Funds:

The Road Fund, Ambulance Fund, Jail Fund, Sheriff Fund, Local Government Economic Assistance Fund, Timberland Tax Fund, Solid Waste Fund, and Dispatch Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Capital Projects Fund:

The Jail Bond and Lease Fund is presented as capital projects funds. Capital projects funds are used to account for the financial resources to be used for the acquisition, construction, or renovation of major capital facilities.

Proprietary Funds

The proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal operating revenues of the county's enterprise fund is charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretation issued November 30, 1989, unless the Governmental Accounting Standards Board (GASB) adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund – The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.134(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus. The primary government reports the following fiduciary fund:

Jail Inmate Fund – This fund accounts for funds received from inmates after incarceration.

**E. Deposits**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

**TODD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**E. Deposits (Continued)**

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**F. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable government or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction in Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-25
Infrastructure	\$ 20,000	10-50

**G. Long-term Obligations**

In the government-wide financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**TODD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into nonspendable and spendable components, if applicable.

Non-spendable includes amounts that must be maintained intact legally or contractually.

Spendable include the following:

- Restricted – amounts constrained for a specific purpose by external parties, constitutional provisions or enabling legislation.
- Committed – amounts constrained for a specific purpose by the county using its highest level of decision-making authority.
- Assigned – for all governmental funds, other than general fund, any remaining positive amounts not classified as non-spendable, restricted or committed. For the general fund, amounts constrained by intent to be used for a specific purpose by the county or the delegated county committee or official given authority to assign amounts.
- Unassigned – for the general fund, amounts not classified as non-spendable, restricted, committed or assigned. For all other government funds, amount expended in excess of resources that are non-spendable, restricted, committed or assigned.

For resources considered committed, the county issues an ordinance that can only be changed with another corresponding ordinance or resolution.

For resources considered assigned, the county has designated the County Treasurer to carry out the intent of the fiscal court.

It is the policy of the county to spend restricted resources first, when both restricted and unrestricted resources are available to spend on the activity. Once restricted funds are exhausted then committed, assigned and unassigned resources are spent in that order on the activity.

Encumbrances, although not reported on the balance sheet, are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Due to the modified cash basis of accounting, encumbrances can also include invoices for goods or services received at June 30, but not yet paid and not included as an accounts payable. Significant encumbrances at year end are reported by major funds and non-major funds in the aggregate and included with commitments and contingencies note disclosure, if applicable.

**TODD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Jail Canteen Fund to be budgeted because the fiscal court does not approve the expenses of these funds.

**J. Related Organizations**

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Todd County Fiscal Court: Todd County Water District and Todd County Airport Board.

**Note 2. Deposits**

The County maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

**Custodial Credit Risk - Deposits**

Custodial Credit risk is the risk that in the event of a depository institution failure, the County's deposits may not be returned. The County does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2011, all deposits were covered by FDIC insurance or a properly executed collateral agreement.

**TODD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 3. Interfund Transactions**

The table below shows the interfund operating transfers for fiscal year 2011.

<u>Governmental Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net</u>
General Fund	\$ 161,533	\$ 1,375,000	\$ (1,213,467)
Jail Fund	917,000	302,718	614,282
Ambulance Fund	133,000		133,000
Jail Bond & Lease Fund	302,718		302,718
Sheriff Fund	46,000		46,000
LGEA Fund	1,500		1,500
Solid Waste Fund	63,500		63,500
Dispatch Fund	<u>214,000</u>	<u>161,533</u>	<u>52,467</u>
Total Governmental Funds	<u>\$ 1,839,251</u>	<u>\$ 1,839,251</u>	<u>\$</u>

Reasons for Transfers:

1. To move resources from the General Fund and Jail Fund, for budgetary purposes, to the fund that will expend them.
2. To returned unused resources, for budgetary purposes, to the General Fund.



**TODD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 4. Capital Assets**

Capital asset activity for the year ended June 30, 2011 was as follows:

	Reporting Entity			
	(Restated) Beginning Balance	Increases	Decreases	Ending Balance
<b>Primary Government:</b>				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 746,386	\$	\$	\$ 746,386
Construction in Progress	969,233	3,508,177	(332,194)	4,145,216
Total Capital Assets Not Being Depreciated	1,715,619	3,508,177	(332,194)	4,891,602
Capital Assets, Being Depreciated:				
Buildings	6,245,588	332,194		6,577,782
Vehicles and Equipment	2,247,824	337,729	(585,686)	1,999,867
Infrastructure	2,546,484	598,039		3,144,523
Total Capital Assets Being Depreciated	11,039,896	1,267,962	(585,686)	11,722,172
Less Accumulated Depreciation For:				
Buildings	(979,855)	(104,995)		(1,084,850)
Vehicles and Equipment	(1,469,394)	(163,954)	493,854	(1,139,494)
Infrastructure	(942,988)	(305,869)		(1,248,857)
Total Accumulated Depreciation	(3,392,237)	(574,818)	493,854	(3,473,201)
Total Capital Assets, Being Depreciated, Net	7,647,659	693,144	(91,832)	8,248,971
Governmental Activities Capital Assets, Net	\$ 9,363,278	\$ 4,201,321	\$ (424,026)	\$ 13,140,573

Depreciation expense was charged to functions of the government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 45,567
Protection to Persons and Property	164,457
General Health and Sanitation	19,188
Recreation and Culture	1,320
Roads, Including Depreciation of General Infrastructure Assets	<u>344,286</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 574,818</u>

**TODD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 5. Long-term Debt**

**A. Emergency Operations Center Financing Obligation**

The County entered into a financing obligation with the Kentucky Area Development District Leasing Trust for improvements and construction to the emergency operations center. The agreement requires annual principal payments and semi-annual interest payments. The total amount of principal was \$350,000. The principal balance of the obligation as of June 30, 2011 was \$290,000. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2012	\$ 15,000	\$ 14,143
2013	15,000	13,445
2014	15,000	12,748
2015	15,000	12,050
2016	15,000	11,353
2017-2021	95,000	44,455
2022-2026	120,000	18,500
Totals	<u>\$ 290,000</u>	<u>\$ 126,694</u>

**B. Solid Waste Truck Financing Obligation**

The County entered into a financing obligation with the Kentucky Association of Leasing Trust for a solid waste truck. The agreement requires monthly interest payments and an annual principal payment. The total amount of principal was \$123,851. The principal balance of the obligation as of June 30, 2011, was \$93,851. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2012	\$ 30,000	\$ 3,184
2013	30,000	2,065
2014	33,851	755
	<u>\$ 93,851</u>	<u>\$ 6,004</u>

**C. Judicial Center Financing Obligation**

The County entered into a financing obligation with the Kentucky Association of Counties Leasing Trust in connection with the construction of the judicial center. The agreement requires monthly interest payment and an annual principal payment. The total amount of principal was \$1,755,000. The principal balance of the obligation was refunded by the bond issue in June 2010 and the debt was paid off on July 6, 2010.

**TODD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**D. Judicial Center Financing Obligation**

The County entered into a financing obligation with the Kentucky Association of Counties Leasing Trust in connection with the replacement of the roof at the courthouse. The agreement requires a monthly interest payment and an annual principal payment. The total amount of principal was \$326,100. The principal balance of the obligation as of June 30, 2011, was \$301,100. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2012	\$ 30,000	\$ 12,567
2013	30,000	11,286
2014	30,000	10,016
2015	30,000	8,740
2016	35,000	7,384
2017-2020	146,100	14,228
Totals	<u>\$ 301,100</u>	<u>\$ 64,221</u>

**E. Jail Renovation General Obligation Bonds**

The County issued \$4,320,000 General Obligation Improvement Bonds dated February 16, 2006, for the renovation and construction of a jail. Principal payments are due each year on February 1 beginning February 1, 2008, with the final payment being due on February 1, 2038. Interest on the bonds is calculated at 4.50% and is payable each August 1 and February 1, and begins on August 1, 2006. The principal balance outstanding for the bond issue as of June 30, 2011 was \$4,040,000. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2012	\$ 75,000	\$ 181,800
2013	80,000	178,425
2014	85,000	174,825
2015	85,000	171,000
2016	90,000	167,175
2017-2021	525,000	770,625
2022-2026	660,000	641,025
2027-2031	840,000	477,225
2032-2036	1,085,000	267,525
2037-2038	515,000	35,100
Totals	<u>\$ 4,040,000</u>	<u>\$ 3,064,725</u>

**TODD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**F. Jail Renovation and Addition Bonds**

The County issued \$500,000 in bonds through the Kentucky Public Agency Development Lease Certificates of Participation for renovation and additions to the jail in 2007. The agreement requires annual principal payments and semi-annual interest payments. The principal balance of the bond issue as of June 30, 2011, was \$435,000. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2012	\$ 20,000	\$ 21,345
2013	20,000	20,465
2014	20,000	19,565
2015	20,000	18,665
2016	20,000	17,745
2017-2021	130,000	72,025
2022-2026	165,000	36,180
2027	40,000	2,040
Totals	<u>\$ 435,000</u>	<u>\$ 208,030</u>

**G. First Mortgage Revenue Bonds, Series 2010**

On June 1, 2010, the County sold Todd County, Kentucky Public Properties Corporation First Mortgage Revenue Refunding Bonds, (Courthouse Project), Series 2010 (the Bonds) through the Todd County, Kentucky Public Properties Corporation. The Bonds originally totaled \$11,110,000 and the proceeds were used for the purpose of (i) refunding \$1,710,000 in Kentucky Association of Counties Leasing Trust financing obligations and (ii) paying the costs of construction of the Todd County Courthouse. The Bonds, which are dated June 1, 2010, have interest rates of 2.00% to 4.125% and mature beginning in June 2011 through June 2030.

The Kentucky Administrative Office of the Courts (AOC) has agreed to a biannual lease that will cover the debt costs and will be paid to the paying agent on behalf of the County as required by a Use and Sublease Agreement between the County and the AOC dated June 30, 2011.

Under the terms of the lease agreement, the AOC has agreed to pay annually directly to the Paying Agent for the Bonds approximately 100% of the Net Debt Service, the stated Use Allowance Payment, subject to the constitutional restrictions limiting the commitment of state agencies to the then current biennial period; said amount to be applied only to the principal of and interest on the Bonds so long as the County renews the lease. Under the Lease, the Corporation has pledged and assigned all of its rights under the Lease Agreement to the Trustee in order to secure the Bonds.

**TODD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**G. First Mortgage Revenue Bonds, Series 2010, Continued**

The AOC, with the execution of the Lease Agreement, will have expressed its intention to pay the full Use Allowance Payment in each successive biennial budget period until June 1, 2030. In addition, the current policy of AOC provides for the continuation of one-half of the rental payment as long as AOC occupies said space of the Project, past the maturity of the Bonds. The AOC will covenant that it intends to request funding from the Kentucky General Assembly each biennium and to use the proceeds of such funding and/or revenues from other sources to pay such Use Allowance Payment each year.

In addition to the Use Allowance Payment, certain expenses attributable to maintaining and operating the building for use by the AOC are paid to the County.

The principal balance of the bond issue as of June 30, 2011, was \$10,660,000. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2012	\$ 425,000	\$ 368,413
2013	435,000	359,912
2014	445,000	351,213
2015	450,000	342,312
2016	465,000	331,063
2017-2021	2,540,000	1,432,139
2022-2026	3,015,000	952,875
2027-2030	2,885,000	300,781
Totals	<u>\$ 10,660,000</u>	<u>\$ 4,438,708</u>

**H. Ambulance Financing Obligation**

The County entered into a financing obligation with Magnolia Bank for an ambulance. The agreement requires monthly interest payments and principal payments. The total amount of principal was \$86,829. The principal balance of the obligation as of June 30, 2011 was \$31,701. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2012	\$ 17,199	\$ 850
2013	14,502	266
Totals	<u>\$ 31,701</u>	<u>\$ 1,116</u>

**TODD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**I. Changes In Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2011, was as follows:

	(Restated) Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<b><u>Governmental Activities:</u></b>					
Bonds Payable	\$ 15,680,000	\$	\$ 545,000	\$15,135,000	\$ 520,000
Financing Obligations	<u>2,464,951</u>	<u>86,829</u>	<u>1,835,128</u>	<u>716,652</u>	<u>92,199</u>
Governmental Activities Long-term Liabilities	<u>\$ 18,144,951</u>	<u>\$ 86,829</u>	<u>\$ 2,380,128</u>	<u>\$15,851,652</u>	<u>\$ 612,199</u>

**J. Cost of Issuance**

The 2010 Revenue Bonds were issued at a discount of \$210,455 which will be amortized over the life of the Bonds. There were \$61,220 in costs paid in 2010 and \$19,127 in costs paid in 2011 which will also be amortized over the life the Bonds. The balance as of June 30, 2011 of the discount was \$199,932 and of the cost of issuance was \$76,329.

**Note 6. Interest on Long-term Debt and Financing Obligations**

Debt Service on the Statement of Activities includes \$28,756 in interest on financing obligations, \$554,379 in interest on bonds, and \$1,379 in fees.

**TODD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 7. Employee Retirement System**

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.93 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

CERS also provides postretirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<u>Years of Service</u>	<u>% paid by Insurance Fund</u>	<u>% paid by Member through Payroll Deduction</u>
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

**TODD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 8. Insurance**

For the fiscal year ended June 30, 2011, Todd County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 9. Prior Period Adjustment**

Beginning net assets for Governmental Activities has been restated for an omitted capital asset and an incorrect debt balance for one financing obligation. Capital Assets were restated by \$12,000 and financing obligations were restated by \$11,000, for a net restatement of net assets of \$23,000.

	<u>Governmental Activities</u>
Beginning Balance	\$ 3,742,953
Restatement of Debt	11,000
Restatement of Fixed Assets	<u>12,000</u>
Beginning Balance (Restated)	<u><u>\$ 3,765,953</u></u>

**Note 10. Change in Accounting Principles**

The Todd County Fiscal Court implemented a new accounting standard, Governmental Accounting Standards Board (GASB) Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions which has altered the classifications of fund balance on the Balance Sheet – Governmental Funds.



**TODD COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2011**



**TODD COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**

**For The Year Ended June 30, 2011**

	<b>GENERAL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 1,518,900	\$ 1,518,900	\$ 1,729,596	\$ 210,696
In Lieu Tax Payments	203,000	203,000	238,768	35,768
Excess Fees	11,500	11,500	50,933	39,433
Licenses and Permits	6,000	6,000	7,030	1,030
Intergovernmental	89,700	89,700	74,279	(15,421)
Charges for Services	3,500	3,500	4,950	1,450
Miscellaneous	94,940	94,940	49,986	(44,954)
Interest	20,000	20,000	24,781	4,781
Total Revenues	<u>1,947,540</u>	<u>1,947,540</u>	<u>2,180,323</u>	<u>232,783</u>
<b>EXPENDITURES</b>				
General Government	677,002	707,507	610,498	97,009
Protection to Persons and Property	27,800	29,300	15,351	13,949
General Health and Sanitation	32,900	25,500	13,722	11,778
Social Services	5,200	18,700	18,335	365
Recreation and Culture	31,000	31,000	20,049	10,951
Administration	270,802	221,197	141,009	80,188
Total Expenditures	<u>1,044,704</u>	<u>1,033,204</u>	<u>818,964</u>	<u>214,240</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>902,836</u>	<u>914,336</u>	<u>1,361,359</u>	<u>447,023</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds			161,533	161,533
Transfers To Other Funds	<u>(1,107,457)</u>	<u>(1,107,457)</u>	<u>(1,375,000)</u>	<u>(267,543)</u>
Total Other Financing Sources (Uses)	<u>(1,107,457)</u>	<u>(1,107,457)</u>	<u>(1,213,467)</u>	<u>(106,010)</u>
Net Changes in Fund Balance	(204,621)	(193,121)	147,892	341,013
Fund Balance - Beginning	<u>204,621</u>	<u>428,339</u>	<u>663,366</u>	<u>235,027</u>
Fund Balance - Ending	<u>\$</u>	<u>\$ 235,218</u>	<u>\$ 811,258</u>	<u>\$ 576,040</u>

**TODD COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2011**  
**(Continued)**

	<b>ROAD FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental	\$ 1,320,858	\$ 1,502,602	\$ 1,587,144	\$ 84,542
Miscellaneous	7,500	7,500	34,750	27,250
Interest	2,500	2,500		(2,500)
Total Revenues	<u>1,330,858</u>	<u>1,512,602</u>	<u>1,621,894</u>	<u>109,292</u>
<b>EXPENDITURES</b>				
General Government	26,083	26,083	23,942	2,141
General Health and Sanitation	800	800		800
Roads	1,123,475	1,301,319	1,246,965	54,354
Capital Projects	100,000	108,700	108,678	22
Administration	160,500	155,700	131,446	24,254
Total Expenditures	<u>1,410,858</u>	<u>1,592,602</u>	<u>1,511,031</u>	<u>81,571</u>
Net Changes in Fund Balance	(80,000)	(80,000)	110,863	190,863
Fund Balance - Beginning	<u>80,000</u>	<u>80,000</u>	<u>261,445</u>	<u>181,445</u>
Fund Balance - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 372,308</u>	<u>\$ 372,308</u>

**TODD COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2011**  
**(Continued)**

<b>JAIL FUND</b>				
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental	\$ 1,090,200	\$ 1,090,200	\$ 936,058	\$ (154,142)
Charges for Services	15,700	15,700	15,101	(599)
Miscellaneous	47,500	47,500	53,318	5,818
Total Revenues	1,153,400	1,153,400	1,004,477	(148,923)
<b>EXPENDITURES</b>				
Protection to Persons and Property	1,254,820	1,325,120	1,319,821	5,299
Debt Service	315,800	303,800	303,568	232
Administration	284,200	322,400	319,836	2,564
Total Expenditures	1,854,820	1,951,320	1,943,225	8,095
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(701,420)	(797,920)	(938,748)	(140,828)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	701,420	701,420	917,000	215,580
Total Other Financing Sources (Uses)	701,420	701,420	917,000	215,580
Net Changes in Fund Balance		(96,500)	(21,748)	74,752
Fund Balance - Beginning			29,846	29,846
Fund Balance - Ending	\$	\$ (96,500)	\$ 8,098	\$ 104,598

**TODD COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2011**

**Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**Reconciliation of Jail Fund**

Expenditures - Debt Service - Budgetary Basis	\$ 303,568
Less: Reclassify Transfer to General Obligation Bond Fund	(302,718)
Expenditures - Debt Service - Modified Cash Basis	<u>\$ 850</u>
Transfer To Other Funds - Budgetary Basis	\$ 0
Plus: Reclassify Transfer to General Obligation Bond Fund	(302,718)
Transfer To Other Funds - Modified Cash Basis	<u>\$ (302,718)</u>

**TODD COUNTY  
COMBINING BALANCE SHEET -  
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
Other Supplementary Information**

**June 30, 2011**

**TODD COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2011**

	<b>LGEA Fund</b>	<b>Timberland Tax Fund</b>	<b>Solid Waste Fund</b>	<b>Dispatch Fund</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 9,096	\$ 3,370	\$ 3,226	\$ 1,556
Total Assets	<u>9,096</u>	<u>3,370</u>	<u>3,226</u>	<u>1,556</u>
<b>FUND BALANCES</b>				
<b>Restricted For:</b>				
Protection to Persons and Property	9,096	3,370		1,556
<b>Assigned To:</b>				
Protection to Persons and Property				
General Health and Sanitation			3,226	
Total Fund Balances	<u>\$ 9,096</u>	<u>\$ 3,370</u>	<u>\$ 3,226</u>	<u>\$ 1,556</u>

The accompanying notes are an integral part of the financial statements.



**TODD COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**June 30, 2011**  
**(Continued)**

<b>Ambulance Fund</b>	<b>Sheriff Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ 37,814	\$ 2,450	\$ 57,512
<u>37,814</u>	<u>2,450</u>	<u>57,512</u>
		14,022
37,814	2,450	40,264
		<u>3,226</u>
<u>\$ 37,814</u>	<u>\$ 2,450</u>	<u>\$ 57,512</u>

The accompanying notes are an integral part of the financial statements.

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**TODD COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2011**

**TODD COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2011**

	<b>LGEA Fund</b>	<b>Timberland Tax Fund</b>	<b>Solid Waste Fund</b>	<b>Dispatch Fund</b>
<b>REVENUES</b>				
Taxes	\$	\$ 1,414	\$ 17,436	\$ 110,894
Licenses and Permits			49,259	
Intergovernmental	8,906		25,619	259,037
Charges for Services			21,639	15,488
Miscellaneous			6,157	4,600
Total Revenues	<u>8,906</u>	<u>1,414</u>	<u>120,110</u>	<u>390,019</u>
<b>EXPENDITURES</b>				
Current:				
General Government				
Protection to Persons and Property	1,496	1,038		392,282
General Health and Sanitation			143,479	
Social Services				
Debt Service			34,622	15,185
Administration			17,012	50,515
Total Expenditures	<u>1,496</u>	<u>1,038</u>	<u>195,113</u>	<u>457,982</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>7,410</u>	<u>376</u>	<u>(75,003)</u>	<u>(67,963)</u>
<b>Other Financing Sources (Uses)</b>				
Transfer From Other Funds	1,500		63,500	214,000
Transfer To Other Funds				(161,533)
Financing Obligation Proceeds				
Total Other Financing Sources (Uses)	<u>1,500</u>	<u></u>	<u>63,500</u>	<u>52,467</u>
Net Change in Fund Balance	8,910	376	(11,503)	(15,496)
Fund Balances - Beginning	186	2,994	14,729	17,052
Fund Balances - Ending	<u>\$ 9,096</u>	<u>\$ 3,370</u>	<u>\$ 3,226</u>	<u>\$ 1,556</u>

The accompanying notes are an integral part of the financial statements.

**TODD COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2011**  
**(Continued)**

<b>Ambulance Fund</b>	<b>Sheriff Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$	\$	\$ 129,744
		49,259
11,009	73,315	377,886
545,539		582,666
11,461	1,310	23,528
<u>568,009</u>	<u>74,625</u>	<u>1,163,083</u>
	106,923	106,923
595,322		990,138
		143,479
71,594		121,401
94,680	11,252	173,459
<u>761,596</u>	<u>118,175</u>	<u>1,535,400</u>
<u>(193,587)</u>	<u>(43,550)</u>	<u>(372,317)</u>
133,000	46,000	458,000
		(161,533)
86,829		86,829
<u>219,829</u>	<u>46,000</u>	<u>383,296</u>
26,242	2,450	10,979
11,572		46,533
<u>\$ 37,814</u>	<u>\$ 2,450</u>	<u>\$ 57,512</u>

The accompanying notes are an integral part of the financial statements.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**







Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial Statements  
Performed In Accordance With Government Auditing Standards

The Honorable Daryl Greenfield, Todd County Judge/Executive  
Members of the Todd County Fiscal Court

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Todd County, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 27, 2011. Todd County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Todd County Fiscal Court is responsible for establishing and maintaining effective internal control over financing reporting. In planning and performing our audit, we considered Todd County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Todd County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Todd County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying comments and recommendations, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material* weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying comments and recommendations as 2011-01, 2011-02, and 2011-03 to be material weaknesses.

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial Statements  
Performed In Accordance With Government Auditing Standards  
(Continued)

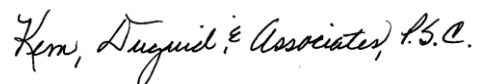
Compliance And Other Matters

As part of obtaining reasonable assurance about whether Todd County Fiscal Court's financial statements as of and for the year ended June 30, 2011, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Todd County Judge/Executive's responses and the Todd County Jailer's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit their responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Todd County Fiscal Court, others within the entity, and the Department for Local Government and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in cursive script that reads "Kem, Duguid & Associates, P.S.C.".

Kem, Duguid & Associates, PSC  
Certified Public Accountants

December 27, 2011

**TODD COUNTY**  
**COMMENTS AND RECOMMENDATIONS**  
**For The Year Ended June 30, 2011**



**TODD COUNTY  
COMMENTS AND RECOMMENDATIONS**

**Fiscal Year Ended June 30, 2011**

**INTERNAL CONTROL - MATERIAL WEAKNESSES:**

**2011-01     The Todd County Fiscal Court Had A Lack Of Segregation Of Duties Over Accounting Functions**

The County has a lack of segregation of duties. The County Treasurer receives, records, and deposits all funds. The Treasurer also prepares the bank reconciliations and all of the monthly reports. It was also noted that the Finance Officer submits invoices to the Court for approval and also prepares the related checks.

Segregation of duties over the collection of receipts, deposit preparation, bank reconciliations and other accounting functions or the implementation of compensating controls, when needed because the number of staff is limited, is essential for providing protection from asset misappropriation and/or inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the following segregation of duties or compensating controls be implemented to offset this internal control weakness:

- An independent person should list all receipts and agree them back to the treasurer's receipt ledger.
- An independent person should open bank statements and review them for unusual items.
- The independent person should then sign off on the bank statement to verify completion.
- An independent person should complete bank reconciliations or review the treasurer's bank reconciliations for accuracy.
- The independent person should then sign off on the bank reconciliations to verify completion.
- An independent person should compare fiscal court order approvals to invoices and checks prior to payment.
- All purchase orders should be prepared, signed and dated by the employee requesting the purchase. All purchase orders should contain an indication of approval by the appropriate personnel prior to purchase.
- All invoices should contain an indication of approval for payment by the appropriate personnel prior to submitting invoices to the Court for approval.
- All invoices should be marked "paid" and check number and date paid should be noted on the invoice.

*County Judge/Executive Daryl Greenfield's Response: No response.*

**2011-02     Todd County Fiscal Court Should Strengthen Internal Controls Over The Financial Reporting Of Capital Assets And Infrastructure**

Material weaknesses exist over the reporting of capital assets and infrastructure of Todd County Fiscal Court. Capital asset records were incomplete as to current year additions. The capitalization policies reported by the County were not being followed. Also, there were items being depreciated in the current year that have been fully depreciated for several years.

Strong internal controls over capital assets are necessary to ensure accurate financial reporting as well as protect assets from misappropriation.

**TODD COUNTY**  
**COMMENTS AND RECOMMENDATIONS**  
**Fiscal Year Ended June 30, 2011**  
(Continued)

**INTERNAL CONTROL - MATERIAL WEAKNESSES:**  
(Continued)

2011-02     Todd County Fiscal Court Should Strengthen Internal Controls Over The Financial Reporting Of Capital Assets And Infrastructure (Continued)

In order to strengthen the county's internal controls over capital assets and infrastructure, we recommend the county establish a detailed inventory system. The system should include a detailed description of the asset, an inventory control number or serial number, the date acquired, and a location of the asset. The listing of capital assets should be updated throughout the year as new assets are purchased. It should also be updated as to annual depreciation, accumulated depreciation amounts and current year disposals. We also recommend the county conduct a physical inspection of the county's assets at the end of each year to make comparisons to the county's list of inventoried assets. This inventory should be maintained at historical cost.

*County Judge/Executive Daryl Greenfield's Response: We are working on this.*

2011-03     Todd County Fiscal Court Should Strengthen Internal Controls Over The Financial Reporting Of The Jail Bond & Lease Fund

While testing cash balances and debt transactions, it came to our attention that most of the activity of the Jail Bond and Lease Fund had not been recorded on the books. The debt payments on the jail construction were recorded and budgeted through the Jail Fund. However, the activity for the construction of the Justice Center as well as the debt activity had not been recorded. The County Treasurer was not supplied the bank statements, invoices, debt documents, and all other information needed to record the activity as required by the State of Kentucky. We did note where transactions were reviewed by the Magistrates, but the activity was not recorded.

All funds of the County must be recorded and accounted for on the County's books.

We recommend that the County Treasurer be supplied with all the information regarding activity of the fund so that it can be recorded on the books of the County.

*County Judge/Executive Daryl Greenfield's Response: No response.*

**CERTIFICATION OF COMPLIANCE –  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**TODD COUNTY FISCAL COURT**

**For The Fiscal Year Ended June 30, 2011**

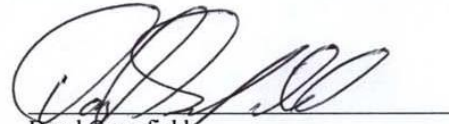




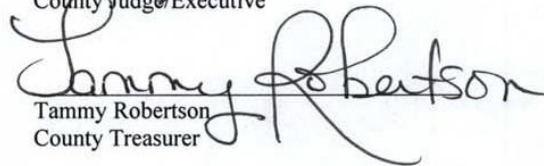
CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM  
TODD COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2011

The Todd County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Daryl Greenfield  
County Judge/Executive



Tammy Robertson  
County Treasurer

